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RUEHDR/AMEMBASSY DAR ES SALAAM 1218
RUEHKM/AMEMBASSY KAMPALA 1989
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SUBJECT: RWANDA ECONOMIC REVIEW

11. (U) This issue of the Rwanda Economic Review covers:

Commercial Issues:

- Kobil Rwanda acquires Stippag petroleum business
- Total sells Rwanda operations to Engen Petroleum Ltd.
- Nakumatt launches business operations in Kigali
- Electrogaz dismantled

Development Issues:

- Rwanda improves "Ease of Doing Business" rank
- Tourism receipts up 15 percent from last year
- Rwanda hosts Climate Change Conference
- Climate Change Observatory proposed

Macroeconomic Issues:

- Economy grows by 8.5 percent but inflation soars to 18.8 percent
- Rwanda currency stable against US dollar

Commercial Issues

12. (U) Kobil: Kobil Petroleum Rwanda, a fully-owned subsidiary of Kenya's Kenol Kobil Group, has acquired the service stations of local petroleum distributor Stippag. The acquisition follows Kobil's purchase of Shell Rwanda in 2006 and local petroleum company KLSS in 2007, and consolidates Kobil's market leadership. Kobil Rwanda was incorporated in 2002 with the goal of servicing Rwanda, Burundi and eastern Congo. The Kenyan-owned company has also invested \$1.5 million in a Butane gas (LPG) filling facility with a capacity of 200 metric tons per month. Kobil is now the major distributor of LPG in Rwanda.

13. (U) Total: Total has agreed to sell its Rwandan operations to South African Engen Petroleum Limited, according to Total Rwanda General Manager Mamadou Ndom. Total currently has 19 service stations and one fuel depot in Rwanda representing 22 percent of the Rwandan market. The French energy multinational, the last of the major oil companies present in Rwanda, follows Shell and Chevron in pulling out of the country.

14. (U) Nakumatt: Kenyan supermarket chain Nakumatt

officially launched business operations in Rwanda on August 124. The new 25,000 square foot outlet is the largest supermarket in Rwanda and the first Nakumatt store to be opened outside of Kenya. The Kenyan chain is investing \$20 million to expand operations into Uganda, Rwanda and Tanzania.

15. (U) Electrogaz: The Government of Rwanda (GOR) has broken up Rwanda's electricity and water utility company into two separate entities. A bill passed by both chambers of parliament in August disbanded utility provider Electrogaz and replaced it with the Rwanda Electricity Company (RECO) and the Rwanda Water and Sanitation Corporation (RWASCO). Electrogaz has been struggling with frequent power outages and water shortages. Critics assert the utility has been mismanaged and wasted resources.

Development Issues

16. (U) "Doing Business Indicators": Rwanda improved its ranking in the 2009 World Bank "Ease of Doing Business" report by nine positions moving up to 139 out of 181 countries surveyed compared to 148 out of 178 in 2008. "Registering a Property" and "Dealing with Construction Permits" showed the strongest gains improving 78 positions and 35 positions respectively and "Starting a Business" and "Employing Workers" also improved by 11 positions and 9 positions respectively. However, the country's rankings in other key indicators including "Protecting Investors", "Getting Credit", "Trading Across Borders" and "Closing a Business" showed little improvement and remained at the bottom tier of world rankings. Rwanda continues to lag behind regional competitors Kenya (82) Uganda (111) and Tanzania (127) in the overall rankings.

17. (U) Tourism: The Rwandan tourism industry showed a 15 percent increase in revenues for the first half of 2008 and a 3.4 percent increase in number of visitors to the country. Overall revenues from tourism reached \$80 million in the first six months of 2008 and have surpassed coffee and tea in foreign exchange earnings. The improved revenues, now 3.7 percent of GDP, are attributable to increased national hotel room capacity -- up from 2,391 rooms in 2007 to 3,282 in 2008 -- and higher fees charged at the national parks.

18. (U) Environment: On September 9, Rwanda hosted the Africa Climate Change Forum organized by the London School of Economics (LSE). In his opening remarks President Kagame noted that "there is hardly any region on our continent that is not in some way affected by grave environmental degradation of one kind or another." In contrast to other speakers, including LSE's Howard Davis who castigated Western governments and the U.S. for their policies, Kagame emphasized that these governments were not responsible for the "vicious cycle of poverty, over-population, deforestation, and weak national environmental policies." He added that Rwanda and other African governments cannot "keep lamenting western policies" but need to start implementing measures and adopt a "self-help" attitude rather than criticizing donor governments. Speakers at the conference stated that Africa is among the most affected regions in the world (by climate change) despite the fact that it produces a small fraction of the world's emissions. Mary Robinson, former UN High Commissioner for Human Rights and former President of Ireland, urged the world's richest countries to do more to assist poorer and vulnerable nations adapt to changing climate.

19. (U) Climate Change Observatory proposed: In a separate meeting with visiting USTDA consultants, Romain Murenzi, Minister for Science and Technology in the President's Office, expressed interest in using existing communications infrastructure located at the top of 4,507 meters high Mount Karisimbi to mount meteorological equipment and connect this to an integrated Climate Change Observatory that would analyze meteorological, seismic, soil data and Geographic

Information Systems (GIS) data. Mount Karisimbi is located at the nexus of the headwaters of the Nile and Congo river basins and offers a "ground zero" window on climate change occurring in these unique and fragile ecosystems. A climate change observatory would provide invaluable data and long-term forecast capability on precipitation, water levels, atmospheric conditions and volcanic and seismic activity in the Central African Albertine Rift. This would be useful to civil aviation, agriculture, hydropower generation and water management throughout the region, Murenzi said.

¶10. (U) Murenzi noted the global food crisis was a "wake-up call" to African governments to better understand and manage their natural resources. Timely forecasting of climate and environmental change would help avert socio-political upheavals, he asserted. The minister suggested that Rwanda would like to "partner" with either another government, an international organization or a university in the project as Rwanda lacked the technical and scientific expertise to implement and maintain the observatory by itself.

Macroeconomic Issues

¶11. (U) Economic growth/Inflation: The Rwandan economy is expected to grow by 8.5 percent in 2008 according to Minister of Finance and Economic Planning James Musoni. The growth is powered by higher yields in the agricultural sector and strong performance in construction, financial services and tourism during the first six months of the year. However, inflation grew to 13.1 percent for the first six months of the year and increased to an annualized 20 percent for the month of August compared to under nine percent for the comparable period in 2007. The Governor of the Central Bank Francois Kanimba blamed higher global fuel and food prices for triggering the increase in inflation.

¶12. (U) Foreign exchange: The Rwandan Franc (RWF) registered a slight appreciation of 0.09 percent against the US dollar between December 2007 and June 2008. Central Bank Governor Francois Kanimba attributed the stability of the RWF to strong foreign exchange inflows stemming from remittances, external aid, private transfers and higher than expected exports.

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